

2011-2012 PERFORMANCE PLAN – Sr. Portfolio Manager, Real Assets (R. Pottle)

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All of the terms and provisions of the "CalPERS Compensation Policies and Procedures for Chief Executive Officer, Chief Actuary, General Counsel and Investment Management Positions" are incorporated in this Performance Plan by this reference as if set forth in full.

Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
20%	Total Fund Performance	Return deviation in basis points relative to: Total Fund performance versus Total Fund benchmark {SJ1CA1 – CPERSTO2IC} *Cost-adjusted Benchmark	-13 basis points = 0 +13 basis points = 1.0 +27 basis points = 1.5
15%	Real Assets Performance	Return deviation in basis points relative to: {SW3CA2 - CPERSRAB}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5
10%	Real Estate Strategic Portfolio Performance	Excess returns in basis points relative to: {SWBQ – CPERSRE}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5
10%	Real Estate Legacy Portfolio	Excess returns in basis points relative to: {SWBR - CPERSRE}	0 basis points = 0 +30 basis points = 1.0 +45 basis points = 1.5
10%	Structure Strategic Portfolio Agreements	# of structured Strategic Portfolio Agreements	3 = 0 5 = 1.0 7 = 1.5
10%	Strategic Portfolio Growth	\$B of NAV Growth in the Strategic Portfolio	\$0B = 0 \$1B = 1.0 \$2B = 1.5
75%	Subtotal	Quantitative Measures	

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30

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Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Leadership	<p><u>Enterprise-wide Leadership and Management</u> By June 30, 2012, achieve improvements in enterprise management by:</p> <ul style="list-style-type: none"> • Maintaining an average position vacancy rate of 5% or less through the fiscal year 2011-12. • Ensure all Form 700 Statements of Economic Interest are filed by scheduled employees by the mandated due date of April 1, 2012. • Ensure all scheduled employees complete the legally mandated AB 1234 ethics training by June 30, 2012. • Maintain a 90% EPAD completion rate. • Address and resolve all outstanding audit findings within 12 months of audit report. • Dedicate 2 hours per month for Employee Recognition during the year through fiscal year 2011-12. • Ensure 100 percent compliance using the new diversity and inclusion performance factor in annual manager and supervisor performance reviews. • Complete the Executive D&I Development Journey course, including completion of all pre- and post-session work assignments. • Conduct at least two direct report team sessions on diversity and inclusion awareness. • Effectively manage all Operational resources within prescribed budget limits. • Conduct direct report sessions on renewal of our core values and guiding behaviors to ensure that we are adhering to these convictions at least once a quarter <p><u>Investment Office Leadership and Management</u> By June 30, 2012, contribute to the value creation, capacity building, and organization support for the Investment Office by:</p> <ul style="list-style-type: none"> • Strengthening and reinforcing a value driven culture that fosters accountability, transparency, and integrity. • Participating in training, communication, and recognition activities and events. <p><u>Team Participation – Cross Asset Class Collaboration</u> By June 30, 2012, participate in and support cross asset class initiatives, such as the Investment Office Roadmap, Investment Strategy Group, Investment Proposal Tracking System, Operating Committee, and technology steering committees to improve investment performance, cost effectiveness, and manage risk.</p>	From schedule

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
15%	Real Estate Priorities	<p>By June 30, 2012, implement asset class priorities which contribute to the success of your program by adopting innovative approaches and overcoming obstacles to improve investment performances and processes, including:</p> <ul style="list-style-type: none"> • Complete Sector Plans consistent with new Strategic Plan • Implement Monitoring Program consistent with new Strategic Plan • Evaluate the synergies and efficiencies of combining governance, operations, and compliance functions on one platform for Real Assets and AIM. 	From schedule
25%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	

Incentive Schedule:

Total Fund: FY 2012-13: Target, 0/20/30